

Message Text

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ACTION NEA-10

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SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02

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TO SECSTATE WASHDC 4021

INFO AMEMBASSY ANKARA

AMCONSUL KARACHI

AMCONSUL LAHORE

AMEMBASSY TEHRAN

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SUBJECT: RCD MEETING IN LAHORE

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SUMMARY: RCD COUNCIL OF MINISTERS MET IN LAHORE JANUARY 29-30. ALTHOUGH ECONOMIC ISSUES WERE SEEMINGLY THE MAIN TOPICS, LITTLE OF SUBSTANCE SEEMS TO HAVE EMERGED. NO FURTHER MOVEMENT WAS APPARENTLY ACHIEVED IN ESTABLISHING A RCD TRADE PREFERENCE AREA. END SUMMARY.

1. THE REGIONAL COOPERATION FOR DEVELOPMENT (RCD) COUNCIL OF MINISTERS MET IN LAHORE FOR 19TH SESSION JANUARY 29-30. AZIZ AHMED, MINISTER OF STATE FOR DEFENSE AND FOREIGN AFFAIRS, PRESIDED AND LED PAK DELEGATION. TURKISH AND IRANIAN DELEGATIONS WERE LED BY THEIR RES-
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PECTIVE FOREIGN MINISTERS, IHSAN SABRI CAGLAYANGIL

AND DR. ABBAS ALI KHALATBARY. DR. AHMAD MINAI, RCD SECRETARY-GENERAL (FROM IRAN), ALSO ATTENDED.

2. ACCORDING TO JOINT COMMUNIQUE ISSUED AT END OF MEETING, COUNCIL REPORTEDLY CALLED ON THE THREE MEMBER COUNTRIES TO TAKE VARIOUS MEASURES TO STRENGTHEN AND REVITALIZE RCD. WHILE NOTING THAT SATISFACTORY PROGRESS HAS BEEN MADE IN SOME AREAS, COUNCIL URGED GOVERNMENTS TO EXAMINE ON PRIORITY BASIS JOINT INDUSTRIAL SURVEY REPORT, EXPAND TECHNICAL COOPERATION PROGRAM, IMPROVE REGIONAL COMMUNICATIONS AND TRANSPORT, PROMOTE CULTURAL ACTIVITIES, CONSIDER ESTABLISHMENT OF JOINT RCD SHIPPING AND INSURANCE COMPANIES, AND CONCLUDE PROTOCOL ON TRADE BEFORE RCD SUMMIT (TO BE HELD IN TURKEY IN APRIL). MINISTERIAL BODY ALSO ENDORSED REPORT OF AD HOC WORKING GROUP SET UP TO PREPARE FOR RCD SUMMIT AND EXPRESSED HOPE THAT RECOMMENDATIONS MADE THEREIN WOULD LEAD TO EXPANDED COLLABORATION. ACCORDING PRESS REPORTS, COUNCIL OF MINISTERS WILL HOLD NEXT MEETING MAY 1977 AT MESHED.

3. COMMENT: MINISTERIAL MEETING APPEARED AIMED MAINLY AT PREPARING GROUND FOR UPCOMING SUMMIT WHERE IT IS HOPED HEADS OF STATE CAN TRANSLATE RCD RHETORIC INTO REALITY. IN SPEECH AT OPENING (READ BY AZIZ AHMED), PRIMIN BHUTTO SET TONE, SUGGESTING THAT "TIME HAS COME TO DRAW UP BALANCE SHEET AND TO ASSESS WHETHER THE ORGANIZATIONS'S ACHIEVEMENTS HAVE LIVED UP TO EXPECTATIONS." STATEMENTS BY DELEGATION LEADERS WERE COUCHED IN SIMILAR VEIN. PAK TIMES, IN EDITORIAL FEBRUARY 1, SUMMED IT UP, SAYING IT WAS TIME TO TURN "ROMANCE INTO REALITY." OVERALL ATMOSPHERE OF MEETING APPEARED CORDIAL THROUGHOUT.

4. CONGEN LAHORE OFFICER, IN CONVERSATION WITH IRANIAN AMBASSADOR TO PAKISTAN MANOUTCHER ZELLI AT RECEPTION HELD JANUARY 29, ASKED IF MEETING HAD ACHIEVED ANY PROGRESS. AMBASSADOR REPLIED THAT THERE WERE A NUMBER OF USEFUL RESOLUTIONS, INCLUDING CALL FOR ESTABLISHMENT OF TRADE PROTOCOL, BUT THAT ALL FINAL DECISIONS WOULD HAVE TO BE MADE AT SUMMIT.
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5. MFA DIRGEN MANSUR AHMAD TOLD EMBOFFS FEBRUARY 4 THAT ESTABLISHING A TRADE PREFERENCE AREA WAS THE MOST IMPORTANT ECONOMIC ITEM ON RCD'S SLATE BUT NO PROGRESS WAS ACHIEVED AT LAHORE. HE SAID THAT TURKEY AND IRAN REMAINED AT LOGGERHEADS ON HOW TO CALCULATE TARIFF CUTS AMONG RCD MEMBERS. THE PROBLEM RELATES TO TURKEY'S ASSOCIATION WITH THE EEC WHICH TURKEY HAS NO

WISH TO CONTRAVENE. ACCORDING TO MANSUR AHMAD, TURKEY'S PROPOSAL FOR CALCULATING TARIFF CUTS, BASED ON PRESENT MFN LEVELS, IS UNACCEPTABLE TO IRAN WHICH WISHED THEM CALCULATED FROM LEVELS APPLICABLE TO EEC.

6. AHMAD SAID THAT A DECADE OR SO AGO, THE RCD COUNTRIES HAD ESTABLISHED A NUMBER OF JOINT VENTURE INDUSTRIAL PLANTS WITH THE IDEA THAT THEY WOULD BE USED BY ALL RCD MEMBERS. IN PAKISTAN, BALLBEARING AND BANK NOTE PLANTS WERE SET UP, WITH TURKEY AND IRAN RESPECTIVELY CONTRIBUTING FIVE PERCENT OF THE EQUITY. NONE OF THE OUTPUT OF THE TWO PLANTS, HE SAID, HAD EVER GONE TO EITHER TURKEY OR IRAN, AND TRADE BARRIERS STILL EXISTED HANDERING THIS. IT SEEMED TO AHMAD THAT IN ESTABLISHING ANY RCD TRADE PREFERENCE AREA, ELIMINATION OF TRADE BARRIERS ON PRODUCTS MADE BY RCD COLLABORATIVE INDUSTRIES SHOULD BE THE FIRST STEP.

7. AHMAD SAID THAT RCD PLANS CALL FOR THE RESPECTIVE COMMERCE MINISTERS TO TRY TO SORT OUT THEIR DIFFERENCES ON THE TRADE PREFERENCE SCHEME BEFORE THE APRIL SUMMIT MEETING. AHMAD ALSO MENTIONED THE OTHER ECONOMIC ITEMS DISCUSSED AT LAHORE, BUT HIS REMARKS SUGGESTED THAT LITTLE BEYOND RHETORIC WAS ACCOMPLISHED.

8. IN ANOTHER CONVERSATION FEBRUARY 4, TURKISH FIRST SECRETARY B. GURSOZ EXPRESSED DOUBTS TO EMBOFF THAT A TRADE PREFERENCE SCHEME WOULD COME TO MUCH. HE QUESTIONED THE TRADE COMPLEMENTARITY OF THE THREE COUNTRIES ("HOW MUCH TRADE CAN THERE BE"?), HE ALSO POINTED OUT THAT FIVE YEARS HAVE GONE BY SINCE THE IDEA OF A TRADE PREFERENCE AREA WAS FIRST APPROVED.

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9. IRANIAN DCM IN DISCUSSION WITH EMBOFF TOOK RATHER DIM VIEW OF RCD PROSPECTS AND DOWNPLAYED ACCOMPLISHMENTS OF LAHORE MEETING. DCM FOLLOWED LINE OF TURKISH FIRST SECRETARY IN STRESSING LIMITED TRADE PROSPECTS, AND THROUGHOUT DISCUSSION HIGHLIGHTED PROBLEMS WHICH THREE COUNTRIES FACED IN REVITALIZING RCD RATHER THAN POSSIBILITIES OPEN TO THEM. HE NOTED PARTICULARLY IRANIAN INABILITY TO MEET WHAT HE TERMED THE UNREALISTIC EXPECTATIONS OF THE TURKS AND THE PAKS CONCERNING IRANIAN FINANCIAL ASSISTANCE.

10. ALL OF OUR CONTACTS HERE ALSO DOWNPLAYED PROSPECTS FOR COPRODUCTION OF DEFENSE EQUIPMENT BY RCD MEMBERS, WITH TURK AND IRANIAN BOTH MENTIONING THAT THEIR GOVERNMENTS COULD NOT COUNT ON OTHER RCD MEMBER STATES

AS RELIABLE SUPPLIERS OF ANYTHING BUT LIMITED AMOUNT
OF UNSOPHISTICATED MATERIAL. ATTITUDE CONTRASTS SHARPLY
WITH GLOWING PAK PRESS EDITORIAL HOPES ABOUT ESTABLISHMENT
OF ARMAMENT INDUSTRY ON TRIPARTITE BASIS TO LOWER
RELIANCE OF MEMBER STATES ON US AND OTHER OUTSIDE
SUPPLIERS.

11. THIS MESSAGE INCLUDES CONTRIBUTIONS FROM CONGEN
LAHORE.
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